

AR33

UNION  
ACCEPTANCE  
CORPORATION LTD

ANNUAL  
REPORT







# UNION ACCEPTANCE CORPORATION LIMITED

Incorporated under the laws of the  
Province of Ontario, May 26, 1944

**HEAD OFFICE:**

15 Toronto Street, Toronto, Ontario, Canada

**EXECUTIVE OFFICES:**

1177 West Hastings Street, Vancouver,  
British Columbia, Canada

## DIRECTORS

at December 31, 1971

- \*CLAUDE BRUNEAU  
Vice-President, Power Corporation of Canada, Limited
- \*G. FLEMING EDGAR  
Business Executive
- \*M. L. GOEGLEIN  
President and Chief Executive Officer, Laurentide Financial Corporation Ltd.
- H. A. HAMPSON  
Chairman and President, Capital Dynamics Management Ltd.
- E. M. LINDBERG  
Vice-President, Laurentide Financial Corporation Ltd.
- \*PAUL BRITTON PAINE, Q.C.  
Executive Vice-President and General Counsel, Power Corporation of Canada, Limited
- JEAN PARISIEN, C.A.  
President, Power Corporation of Canada, Limited
- \*WARREN Y. SOPER  
Vice-President, Pitfield Mackay Ross & Company Limited
- \*W. I. M. TURNER, Jr.  
President, Consolidated Bathurst Limited

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\*Member, Executive Committee

## OFFICERS

PAUL BRITTON PAINE, Q.C.	Chairman
M. L. GOEGLEIN	President and Chief Executive Officer
E. M. LINDBERG	Vice-President
MAX C. MITCHELL	Vice-President and General Manager
JACQUES A. SEIGNEURET, C.A.	Vice-President, Finance
WILLIAM ALDRIDGE, C.A.	Vice-President and Controller
HOWARD L. SMITH, C.G.A.	Vice-President and Treasurer
NORMAN T. STOTT	Vice-President and Secretary
JOHN C. HASLER	Vice-President – Operations
CLIFFORD G. SIMPSON	Vice-President – Operations
WILLIAM F. BETHUNE	Vice-President and General Sales Manager
E. J. QUAN	Assistant Treasurer
GEORGE ABAKHAN, C.A.	Assistant Controller

## HIGHLIGHTS OF THE YEAR

	1971	1970
Gross income .....	\$ 10,178,662	10,220,122
Net earnings .....	\$ 1,000,668	854,744
First preference share dividends .....	\$ 122,037	130,756
Net earnings applicable to second preference and common shares .....	\$ 878,631	723,988
Earnings per second preference and common share .....	\$ .98	.81
AT YEAR END		
Finance receivables — gross .....	\$ 67,228,120	65,080,059
Total borrowings .....	\$ 50,880,384	51,741,098
Shareholders' equity .....	\$ 11,648,049	10,885,229
Total borrowings to equity ratio: times .....	4.37	4.75



# REPORT OF THE DIRECTORS

Total finance receivables increased during the year by \$2.1 million to \$67.2 million. Demand for the Company's industrial financing services was better than expected and this division was successful in increasing its outstandings by \$6.2 million to \$42.4 million. In the consumer division some slowing of demand during the first half of the year and a more selective marketing policy resulted in a decline of \$4 million in the division's receivables to \$23.8 million.

In spite of the relatively high unemployment level prevalent in most parts of Canada throughout the year, the Company's loss experience was good and delinquency was well within acceptable levels.

At year end the Company provided financial services through 18 industrial and 44 consumer loan offices across Canada.

The operating functions of Union and its parent company, Laurentide Financial Corporation Ltd., were further integrated during the year, and in June the Company's finance, accounting, and data processing departments were combined with those of Laurentide at the latter's head office in Vancouver.

## **Income, Expense and Financing:**

Gross income at almost \$10.2 million was relatively unchanged. However, lower interest rates on bank and short term borrowings during the year reduced the cost of borrowings by \$377,000. The Company's favourable loss experience during the year, and the condition of its receivables at year end, permitted a reduction of \$340,000 in the provision for credit losses charged to income. Partially offsetting the effects of these two favourable cost factors on earnings were an increase in other operating expenses of \$393,000 and elimination of the acquisition fee on industrial accounts referred to in Note 2 of the financial statements.

Net earnings for the year exceeded \$1 million, an increase of 17.1% over 1970's \$855,000. After payment of First Preference share dividends, the earnings per Second Preference and Common share on a participating basis amounted to 98 cents compared with 81 cents last year.

Bank lines of credit in Canada, the United States, and Europe were increased by \$8 million, and at year end totalled \$27.1 million.

## **Outlook:**

The Company anticipates that the demand for both consumer and business credit in 1972 will provide an expanding market for its financial services. We have confidence in Union's ability to compete in this market and look forward to continued satisfactory operating results.

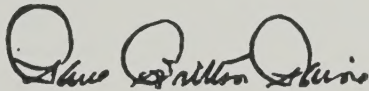
**Personnel:**

In November, Mr. G. Fleming Edgar retired from his position as President of the Company upon reaching age 65. Mr. Edgar had served Union with distinction in various executive positions since joining the Company in 1949 and had been the Company's President since 1959. He was instrumental in guiding the Company through a period which saw substantial change in the industry. Mr. Edgar has agreed to continue as a member of the Board where his experience and counsel will be invaluable.

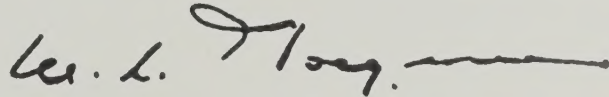
Since the last Annual Meeting, Mr. David B. Gill found it necessary to resign from the Board upon joining the World Bank group. Mr. H. Anthony Hampson, consequent upon his assumption of the Chairmanship of the Canada Development Corporation, has also submitted his resignation. The contribution of time and counsel of both these gentlemen is recorded with deep appreciation. Mr. John C. Gilmer has recently joined the Board.

On behalf of the shareholders, we express our appreciation to the Company's employees whose steady and effective efforts throughout the year have produced such satisfactory results.

On behalf of the Directors,

A handwritten signature in dark ink, appearing to read "John C. Gilmer", written in a cursive style.

Chairman

A handwritten signature in dark ink, appearing to read "Lee L. Tong", written in a cursive style.

President and Chief Executive Officer

Toronto, Ontario  
February 11, 1972



# CONSOLIDATED STATEMENT OF EARNINGS

Year ended December 31, 1971

	1971	1970
Gross income .....	<u>\$10,178,662</u>	<u>10,220,122</u>
Expenses:		
Cost of borrowings:		
Long-term .....	1,860,976	1,919,660
Short-term .....	<u>1,209,725</u>	<u>1,528,614</u>
	3,070,701	3,448,274
Provision for credit losses .....	753,172	1,093,245
Operating expenses .....	4,214,739	3,821,570
Depreciation .....	<u>108,233</u>	<u>64,945</u>
	8,146,845	8,428,034
Earnings before income taxes .....	2,031,817	1,792,088
Income taxes .....	<u>1,031,149</u>	<u>937,344</u>
Net earnings for the year .....	<u>\$ 1,000,668</u>	<u>854,744</u>
Earnings per share on second preference and common shares .....	<u>\$ .98</u>	<u>.81</u>

See accompanying notes to consolidated financial statements.



# CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1971

	1971	1970
Net earnings for the year .....	\$ 1,000,668	854,744
Dividends paid on first preference shares .....	<u>122,037</u>	<u>130,756</u>
Net earnings available to second preference and common shareholders .....	878,631	723,988
Gain on first preference shares purchased for cancellation .....	<u>27,739</u>	<u>34,600</u>
	906,370	758,588
Retained earnings at beginning of year .....	<u>4,522,475</u>	<u>3,763,887</u>
Retained earnings at end of year .....	<u><u>\$ 5,428,845</u></u>	<u><u>4,522,475</u></u>

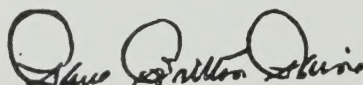
See accompanying notes to consolidated financial statements.

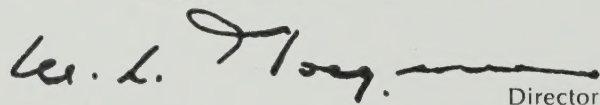
# CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1971

## ASSETS

	1971	1970
Cash and short-term deposits .....	\$ 3,484,863	5,673,413
Prime short-term money market securities .....	1,798,802	—
Finance receivables (Notes 3 and 4):		
Consumer loans .....	20,726,741	23,742,749
Consumer sales financing .....	3,084,018	4,024,196
Commercial and industrial financing .....	42,372,934	36,213,558
Wholesale and other .....	1,044,427	1,099,556
✓ Total finance receivables .....	✓ 67,228,120	✓ 65,080,059
Less: unearned finance charges (Note 2) .....	6,519,394	5,284,134
allowance for credit losses .....	1,718,519	1,779,646
Finance receivables, net .....	58,990,207	58,016,279
Accounts receivable .....	237,817	129,482
Repossessions and property held for sale at estimated realizable value .....	213,968	378,099
Prepaid expenses .....	74,652	271,594
Premises and equipment, at cost less accumulated depreciation of \$598,605 (1970 — \$541,089) .....	365,581	266,754
Unamortized debt discount and financing expenses .....	299,432	381,981
	<u>\$ 65,465,322</u>	<u>65,117,602</u>

On behalf of the Board:

 Director

 Director



## LIABILITIES

	1971	1970
Demand and short-term secured notes:		
Banks .....	\$ 11,613,100	10,984,567
Other lenders .....	9,423,400	10,359,000
	<u>21,036,500</u>	<u>21,343,567</u>
Accounts payable and accrued liabilities .....	1,954,082	1,063,085
Income taxes .....	358,300	213,323
Dealers' balances .....	340,031	373,929
Lien notes .....	—	587,914
Unrealized foreign exchange gain (Note 1) .....	284,476	253,024
Long-term secured notes (Schedule A) (Note 4) .....	23,628,853	24,035,500
Debentures (Schedule A) (Note 4) .....	6,215,031	6,362,031
	<u>53,817,273</u>	<u>54,232,373</u>

## SHAREHOLDERS' EQUITY

Capital stock (Schedule B) (Note 5):		
First preference .....	1,934,300	2,077,850
Second preference .....	2,771,921	2,771,921
Common .....	1,512,983	1,512,983
	<u>6,219,204</u>	<u>6,362,754</u>
Retained earnings, per accompanying statement (Note 5) .....	5,428,845	4,522,475
	<u>11,648,049</u>	<u>10,885,229</u>
Commitments (Note 6)		
	<u>\$ 65,465,322</u>	<u>65,117,602</u>

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

Year ended December 31, 1971

	1971	1970
Source of funds:		
Operations:		
Net earnings for the year .....	\$ 1,000,668	854,744
Add depreciation and amortization .....	177,454	173,710
Total funds from operations .....	1,178,122	1,028,454
Reduction in cash and prime short-term money market securities .....	389,748	3,788,267
Reduction of other net assets .....	1,299,594	109,384
	<u>\$ 2,867,464</u>	<u>4,926,105</u>
Use of funds:		
Decrease (increase) in lien notes payable .....	\$ 587,914	(735,009)
Increase (decrease) in finance receivables, net .....	973,928	(107,867)
Additions to premises and equipment .....	207,060	88,717
Reduction of short-term notes .....	307,067	5,177,733
Redemption of long-term secured notes and debentures .....	553,647	264,475
Cost of first preference shares purchased for cancellation .....	115,811	107,300
Dividends on first preference shares .....	122,037	130,756
	<u>\$ 2,867,464</u>	<u>4,926,105</u>

See accompanying notes to consolidated financial statements.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1971

## 1. PRINCIPLES OF CONSOLIDATION AND CURRENCY CONVERSION

The consolidated financial statements include the accounts of all subsidiaries, all of which have been wholly owned since incorporation.

United States currency accounts included in the consolidated financial statements are converted into Canadian dollars at the rate of exchange current at December 31, 1971, except that (a) non-current debt is at rates prevailing at dates of issue, and (b) items of income and expense are at rates prevailing during the fiscal period. Foreign exchange gain is included in the statement of earnings when realized and the unrealized portion is shown in the liability section of the consolidated balance sheet.

## 2. METHOD OF RECORDING INCOME FROM CONTRACTS

With the exception of wholesale financing and automobile lease receivables, for which income is recorded monthly at the time of billing, the company records income earned on finance receivables by transferring to income finance charges on the sum of the digits method on a "cash collection basis".

Prior to 1971 an acquisition fee of not more than 5% (10% on certain consumer sales finance receivables of a subsidiary) was taken into income during the month of acquisition on certain finance receivables to offset costs incurred in setting up the account and in providing general loss reserves. On December 31, 1971 the company and certain of its subsidiaries eliminated the allowance for acquisition costs from unearned finance charges on all finance receivables, except consumer loans, outstanding on that date. The effect of this change is to reduce gross income for the year by \$272,000 and net earnings after income taxes by \$134,000.

## 3. FINANCE RECEIVABLES

Finance receivables of the company and its subsidiary Union Finance Company Limited, aggregating approximately \$53,800,000 (1970 – \$48,000,000) and cash and prime short-term money market securities of \$3,800,000 (1970 – \$5,020,000) were deposited with trustees as collateral to secure certain short and long-term notes. These obligations are further secured by a first floating charge upon all other property and assets of these companies, including capital stock of other subsidiaries.

## 4. MATURITIES OF GROSS RECEIVABLES AND DEBT

(In thousands of dollars)			
	Gross receivables	Debt	Excess of receivables (debt)
Year 1 .....	\$ 36,765	16,924*	19,841
2 .....	19,476	326	19,150
3 .....	8,623	5,090	3,533
4 .....	1,731	2,360	(629)
5 .....	456	3,504	(3,048)
6 - 10 .....	177	13,782	(13,605)
Over 10 years .....	—	3,612	(3,612)
	<u>\$ 67,228</u>	<u>45,598</u>	<u>21,630</u>

\* Includes bank and other short-term notes, net of cash and short-term deposits and prime short-term money market securities.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

### 5. DIVIDENDS

The trust deeds under which the secured notes are issued, the trust indenture under which the debentures are issued and the conditions attaching to the first preference shares contain certain provisions restricting the payment of dividends. At December 31, 1971 approximately \$5,267,000 (1970 – \$4,385,000) of consolidated retained earnings were unrestricted.

Holders of second preference shares are entitled to non-cumulative dividends at the rate of 60¢ per share per annum before any dividends are payable to holders of common shares. In any fiscal year, after holders of second preference shares and holders of common shares have each received dividends aggregating 60¢ per share, then any additional dividends are to be paid in equal amounts per share on the second preference shares and common shares. As at December 31, 1971, no dividends may be paid on the common shares until there shall have been declared, and paid or set aside for payment on the second preference shares, regular quarterly dividends for four consecutive quarterly periods at the rate of 60¢ per share per annum.

### 6. COMMITMENTS

The company and its subsidiaries were obligated under 6 lease agreements expiring subsequent to December 31, 1976 for an aggregate basic annual rental of approximately \$40,000.

### 7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors for the year, including salary and pension contributions as executive officers, amounted to \$85,455. Remuneration of senior officers who are not directors amounted to \$145,360.

### 8. COMPARATIVE FIGURES

The comparative figures for 1970 have been reclassified according to the presentation used on the 1971 consolidated financial statements.

## Auditors' Report

To the Shareholders of  
Union Acceptance Corporation Limited

We have examined the consolidated balance sheet of Union Acceptance Corporation Limited and subsidiary companies as at December 31, 1971 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles which, except for the change, with which we concur, in accounting practice set out in Note 2 to the consolidated financial statements, have been applied on a basis consistent with that of the preceding year.

*T. Lorne, Brian, Halliwell & Clouston*

Chartered Accountants

*Peat, Marwick, Mitchell & Co.*

Chartered Accountants

Vancouver, British Columbia  
February 3, 1972



# DETAILS OF LONG-TERM SECURED NOTES AND DEBENTURES

December 31, 1971

	Year of Issue	Series	Rate %	Maturity date		1971	1970
Long-term secured notes:							
Payable in Canadian funds	1957	B	5¾	September 15, 1972 .....	\$	669,000	978,500
	1959	C	6	March 1, 1974 .....		2,500,000	2,500,000
	1960	D	7¼	February 15, 1980 .....		1,000,000	1,000,000
	1962	F	6	April 1, 1973 to 1977 .....		1,000,000	1,000,000
	1964	H	6⅞	June 15, 1975 to 1984 .....		2,000,000	2,000,000
	1964	I	6⅞	June 15, 1980 to 1984 .....		2,000,000	2,000,000
	1965	J	6⅞	April 15, 1976 to 1985 .....		1,000,000	1,000,000
	1965	K	6⅞	April 15, 1976 to 1980 .....		5,000,000	5,000,000
						<u>15,169,000</u>	<u>15,478,500</u>
Payable in U.S. funds (1)							
	1963	G	5¾	April 1, 1974 to 1978 ..	\$7,500,000	8,070,627	8,070,627
	1967	M	6½	April 15, 1972 to 1975 ..	400,000	389,226	486,373
					<u>\$7,900,000</u>	<u>8,459,853</u>	<u>8,557,000</u>
						<u>\$23,628,853</u> (4)	<u>24,035,500</u> (4)
Debentures:							
Payable in Canadian funds	1954	C	5½ (2)	March 1, 1974 .....	\$	481,000	503,500
	1956		5½ (2)	November 15, 1972 .....		381,000	431,000
	1961		6¼ (3)	December 15, 1981 .....		1,434,000	1,492,500
	1972		6½ (3)	December 1, 1983 .....		572,000	588,000
	1964	H	6¾	July 2, 1980 to 1984 .....		1,400,000	1,400,000
						<u>4,268,000</u>	<u>4,415,000</u>
Payable in U.S. funds (1)							
	1963		6¼	August 15, 1974 to 1978 ..	\$1,150,000	1,245,234	1,245,234
	1965	I	6¼	May 15, 1976 to 1980 ..	650,000	701,797	701,797
					<u>\$1,800,000</u>	<u>1,947,031</u>	<u>1,947,031</u>
						<u>\$ 6,215,031</u> (5)	<u>6,362,031</u> (5)

(1) The carrying value of amounts payable in U.S. funds exceeds the liability therefor translated at the current rate of exchange on long-term secured notes by \$542,572 and on debentures by \$143,093.

(2) Sinking fund debentures.

(3) These debentures have purchase fund provisions.

(4) Long-term secured notes maturing within one year amount to \$769,219 (1970 – \$101,031).

(5) Debentures maturing in one year amount to \$402,000 (1970 – \$44,500).

# DETAILS OF CAPITAL STOCK

December 31, 1971

	Outstandings			
	1971		1970	
	Shares	Amount	Shares	Amount
First preference shares, (1) par value \$50 each, issuable in series. Authorized less redeemed 227,686 (1970 – 230,557):				
6¼ % Series A, cumulative redeemable at \$52.50 per share .....	17,687	\$ 884,350	19,157	\$ 957,850
6¼ % Series B, cumulative redeemable at \$52.50 per share .....	5,940	297,000	6,330	316,500
6% Series C, cumulative redeemable at \$53.00 per share .....	15,059	752,950	16,070	803,500
		<u>1,934,300</u>		<u>2,077,850</u>
Second preference shares, participating, non-voting, non-cumulative, of no par value. Authorized, 1,500,000 shares .....	422,418	2,771,921	422,418	2,771,921
Common shares of no par value. Authorized 750,000 shares .....	474,140	1,512,983	474,140	1,512,983
		<u>\$ 6,219,204</u>		<u>\$ 6,362,754</u>

(1) Purchased for cancellation during the year:

	Number of shares	Amount
Series A .....	1,470	\$ 73,500
Series B .....	390	19,500
Series C .....	1,011	50,550
	<u>2,871</u>	<u>\$ 143,550</u>



# TEN YEAR COMPARISON TABLES

	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
Total Assets	<b>\$65,465,322</b>	65,117,602	69,711,360	57,505,884	57,195,950	58,666,657	59,678,340	69,639,372	51,685,197	39,175,147
Finance Receivables net	<b>58,990,207</b>	58,016,279	58,751,288	55,054,278	55,003,608	55,936,321	57,646,349	67,351,991	49,864,334	37,455,062
Unearned Finance Charges	<b>6,519,394</b>	5,284,134	5,107,354	4,749,990	6,049,217	5,639,008	4,893,978	5,297,226	3,785,701	3,065,020
Secured Notes	<b>44,665,353</b>	45,379,067	50,650,939	38,923,482	39,213,412	40,915,586	41,492,979	53,690,979	39,444,979	29,708,300
Debentures	<b>6,215,031</b>	6,362,031	6,527,671	6,664,531	6,844,976	6,984,451	7,097,951	6,568,734	5,275,734	4,140,000
Shareholders' Equity	<b>11,648,049</b>	10,885,229	10,268,541	9,791,130	9,420,912	9,097,657	7,992,395	6,910,244	5,582,861	4,452,781
Gross Income	<b>10,178,662</b>	10,220,122	9,878,608	9,063,251	8,738,981	8,401,995	10,065,695	8,602,797	6,403,455	4,627,491
Cost of Borrowings	<b>3,070,701</b>	3,448,274	3,492,901	3,190,082	2,974,238	2,978,615	3,622,510	2,917,687	2,145,444	1,530,393
Other Expenses	<b>5,076,144</b>	4,979,760	4,720,064	4,539,419	4,543,899	4,416,587	5,127,362	4,160,924	3,129,923	2,354,934
Income Taxes	<b>1,031,149</b>	937,344	881,723	693,291	616,148	503,059	657,175	762,898	568,220	359,713
Net Earnings	<b>1,000,668</b>	854,744	783,920	640,459	604,696	503,734	658,648	761,288	559,868	382,451
Earnings on Second Preference shares and Common shares after dividends on First Preference shares	<b>878,631</b>	723,988	643,898	492,280	447,285	338,847	485,167	603,480	440,845	296,915
Per share	<b>.98</b>	.81	.72	.55	.50	.38	.72	1.12	.82	.71
Number of Second Preference shares and Common shares outstanding	<b>896,558</b>	896,558	896,558	896,558	896,558	896,558	672,418	537,638	535,978	416,204

## BANKERS

Banque Canadienne Nationale  
 Bank of Montreal  
 Canadian Imperial Bank of Commerce  
 The Royal Bank of Canada  
 Bank of America, NT & SA  
 Bankers Trust Company  
 Chemical Bank  
 Manufacturers Hanover Trust Company  
 Dow Banking Corporation  
 Kleinwort, Benson Limited

## BRANCH OFFICES

### UNION ACCEPTANCE CORPORATION LIMITED

Halifax	Toronto (3)	Ottawa	Calgary
Truro	Barrie	Sudbury	Edmonton
Montreal	Hamilton	Timmins	Vancouver
Val d'Or	London	Winnipeg	Vernon

### UNION FINANCE COMPANY LIMITED

Dartmouth	Quebec (2)	Kingston	Kelowna
Halifax	Roberval	London	Kamloops
Truro	Ste. Thérèse	Ottawa	New Westminster
Saint John	Val d'Or	Sudbury	Prince George
Alma	Verdun	Timmins	South Burnaby
Hull	Toronto (4)	Windsor (2)	Surrey
Jonquière	Barrie	Winnipeg	Vancouver (2)
Montreal (3)	Hamilton	Coquitlam	Victoria

### UNITED FINANCE COMPANY LIMITED

Calgary (2)	Edmonton (2)
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### UNION LEASING COMPANY LIMITED

Toronto

## REGISTRAR AND TRANSFER AGENT

The Canada Trust Company

## TRUSTEES

Secured Notes: National Trust Company, Limited

Debentures: The Canada Trust Company

## AUDITORS

Peat, Marwick, Mitchell & Co. and

Thorne, Gunn, Helliwell & Christenson,

Chartered Accountants

## FIRST PREFERENCE SHARES LISTED

The Toronto Stock Exchange









*corp report*



UNION ACCEPTANCE  
CORPORATION LIMITED

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## Interim Report

*for the six month period  
ended June 30, 1971*

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# UNION ACCEPTANCE CORPORATION

and subsidiary companies

To the Security Holders:

The Directors of your Company are pleased to present the following unaudited interim report for the six months ended June 30, 1971, with comparative figures for 1970:

	1971	1970
Gross operating income	\$5,294,000	\$5,250,000
Cost of borrowed funds	1,566,000	1,824,000
Other operating expenses	2,591,000	2,402,000
Income before taxes	1,137,000	1,024,000
Income taxes	609,000	537,000
Net income	\$ 528,000	\$ 487,000

Net income of \$528,000 amounted to 8.37 times First Preference share dividend requirements, a gain of \$41,000 over the similar period a year ago. However, these figures are not fully comparable because late in 1970 the Company modified its basis of accounting for income by reducing the percentage of finance charge that is recognized as income in the month of acquisition of its industrial and commercial accounts.

Earnings applicable to each of the Second Preference and Common shares outstanding after providing for First Preference share dividends amounted to 52¢ per share compared with 47¢ a year ago.

M. L. GOEGLEIN  
*Chairman*

G. F. EDGAR  
*President*

August 5, 1971



**Consolidated Statement of Source and Use of Funds**  
(unaudited Interim Report)

	<i>Six months ended June 30</i>	
	<b>1971</b>	<b>1970</b>
<b>Source of Funds:</b>		
Operations		
Net income for the period . . . . .	<b>\$ 528,000</b>	\$ 487,000
Add non-cash charges:		
Depreciation . . . . .	<b>25,900</b>	28,500
Amortization of debt discount and expenses . . . . .	<b>55,200</b>	52,700
Total funds from operations	<b>609,100</b>	568,200
Reduction in cash and short term deposits . . . . .	<b>3,128,300</b>	7,614,400
Reduction in other net assets	<b>343,500</b>	343,500
	<b><u>\$4,080,900</u></b>	<u>\$8,526,100</u>
<b>Use of Funds:</b>		
Reduction in demand and short term secured notes . . . . .	<b>\$2,418,300</b>	\$6,472,500
Reduction in long term secured notes and debentures . . . . .	<b>229,800</b>	183,000
Reduction in lien notes payable . . . . .	<b>587,900</b>	(54,700)
Dividends on first preference shares . . . . .	<b>63,100</b>	66,200
Cost of first preference shares purchased for cancellation	<b>34,000</b>	42,900
Additions to office equipment and leasehold improvements — net . . . . .	<b>113,000</b>	23,700
Debt issue expenses . . . . .	<b>8,000</b>	17,200
Increase in contracts receivable — net . . . . .	<b>626,800</b>	1,775,300
	<b><u>\$4,080,900</u></b>	<u>\$8,526,100</u>

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